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2007 Most Trusted Companies for Privacy Study©

Executive Summary
Prepared by Ponemon Institute LLC

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Prepared by Dr. Larry Ponemon, March 28, 2007

Ponemon Institute is pleased to present the results of the third *Most Trusted Companies for Privacy Study,* an annual study of how consumers perceive organizations that collect and manage their personal information. Sponsored by TRUSTe, the *2007 Most Trusted Companies for Privacy Study* ranks companies and federal agencies industry-by-industry and provides a list of overall top performing companies.

Overall, the top three rated companies for privacy trust in 2007 are, in order, American Express, Charles Schwab, and IBM. In 2006 the top three companies were American Express, Amazon, and Procter & Gamble. Previous years' exemplars have included E-Loan, Hewlett-Packard, and eBay.

Industries that are most trusted for privacy in this year's study are health care, consumer products, and package and delivery. The retail banking industry moved into fourth place, from seventh place last year. The industry sectors least trusted for privacy are airlines, food service, toy and telecom.

In addition to capturing U.S. consumers' perceptions about the most trusted companies for privacy, the study reveals what organizations can do to improve their image as a trusted enterprise. Why is trust important for companies? Based on previous consumer studies conducted by Ponemon Institute, companies believed to be good stewards of personal information are rewarded with a higher degree of customer loyalty and retention. Moreover, our prior studies found that consumers are willing to share more and better data about themselves when they have a trusted relationship with a company that acquires personal information for various legitimate purposes.

What Is Privacy Trust?

Privacy trust is a process companies can implement to motivate trust and confidence in how its leaders, employees and contractors (vendors) protect and secure private information about people and their families. Privacy trust requires a company to ensure that actual practices are aligned with the public's perception about how their personal information is used, shared and retained. The key components of privacy trust are:

- <u>Notice</u> – Companies should clearly communicate their privacy policies and data practices to customers. These policies must be updated to reflect any changes in practices and policy.

- <u>Choice or Consent</u> – Companies should respect customers' personal data and will not share non-public personal data, except as permitted or required by law.

- <u>Access and Redress</u> – Customer and employees should have reasonable access to their personal information as required by law and have the ability to correct any inaccuracies or misinformation held about them.

- <u>Prudent Security</u> – Companies need to take reasonable measures to protect data and limit access by unauthorized parties.

- <u>Data Minimization and Accuracy</u> – Companies should avoid collecting information they never need or plan to use. While the cost of storage is nominal, the excess information creates data integrity, quality and accuracy problems.

We offer one cautionary note about the results of the *2007 Most Trusted Companies for Privacy* study. Based on previous consumer studies we have conducted, consumer perceptions about

privacy and trust can be influenced by a number of factors. In fact, the ratings may not reflect at all the actual privacy practices of the company and its efforts to protect the personal information of its customers and employees. Further, what a company does in the area of privacy and data protection can be invisible to the customer until he or she experiences a data breach and seeks redress or has a question about privacy that needs to be answered.

Some factors influencing consumers' perceptions can include a favorable (or unfavorable) opinion about a company's brand and products, a personal experience with a call center employee or advertising messages that resonate with them – especially if privacy and protection of identity are included in the marketing campaign. Trust also may be earned when a customer receives an order on time and in good condition.

We also believe media reports about companies experiencing a privacy incident can affect not only an individual company but the industry as well. It is interesting to note that in this year's study there was a 24% decline in the trust ranking of companies experiencing negative media coverage resulting from a data breach incident.

Survey Methods

Our Web-based research study asked respondents to name one to five companies they believed to be the most and least trusted for using and protecting their personal information. Company names were not provided in the survey instrument to allow each participant to freely select the organizations believed to be most and least trusted for privacy.

Participants were asked to apply the following definitions when determining the companies they trusted most for privacy:

- Personal information – Information about yourself and your family. This information includes name, address, telephone numbers, e-mail address, Social Security number, other personal identification numbers, access codes, age, gender, income and tax information, shopping information, account activity and many other pieces of data about you.

- Privacy trust– Your belief that the company is honoring its privacy commitments to you, and keeping your personal information safe and secure. This includes its commitment not to share your personal information unless there is a just cause or you have given your consent.

Our fieldwork ended in February 2007, with the collection of 7,069 useable responses during a six-week period. We asked participants to list one to five companies in various industry sectors they believed to be the most trustworthy for honoring their privacy commitments. According to their responses, we compiled a list of most trusted companies for privacy. The aggregated list in our analysis contained 205 different company names, which were compiled from more than 30,000 individual ratings.

Using the same ranking procedures as in our earlier studies, we carefully executed the following decision rules to compile this year's list of most trusted companies for privacy:

First, all companies with 20 or more individual positive ratings, irrespective of negative ratings, were included in the most trusted analysis. Companies with less than 20 positive ratings were excluded from further analysis. A combined rating system composed of three ranking procedures was used to determine the overall rank for each given company. The following are three different ranking procedures:

- **Rank 1**: The rank order of a given company based on the net positive responses. While this metric is unambiguous, it is biased. Larger companies or those with a larger brand name would be more likely to earn a higher net response.

- **Rank 2**: The rank order of a given company based on the percentage of "first place" ratings. This is an unbiased metric because the percentage is not associated with the size of a company.

- **Rank 3**: The rank order of a given company based on the ratio of positive to negative ratings. This ranking procedure is biased to smaller companies because they are more likely to have very few negative ratings.

Table 1 Sample Characteristics	Total	Pct %
Sample frame size	52,635	100.0%
Total responses	7223	13.7%
Total rejections	154	-0.3%
Net responses	7,069	13.4%
Total positive & negative ratings	30,538	
Average number of ratings per subject	4.32	
Average number of positive ratings	2.23	
Average number of negative ratings	2.09	
Number of companies with ≥ 20 positive ratings	205	

Because the focus of our research is on the group of companies believed to be "most trusted" for privacy, negative ratings were only used to determine a net rating in Rank 1 and a ratio rating in Rank 3.[1] Table 1 above reports the sample and response statistics:

Table 2 and the Pie Chart show the distribution of subjects across the United States. Please note that this study only obtained information from people living in the United States (43 states in the sampling frame). A separate study was conducted from a Canadian national panel. These results will be provided in a separate report.

Table 2 Geographic regions	Freq.	Pct%
Northeast	1,503	21%
Mid-Atlantic	1,480	21%
Southeast	978	14%
West/Pacific	1,178	17%
Southwest	885	13%
Mid-West	1,045	15%
Total	7,069	100%

Pie Chart 1: Geographic distribution of the sample

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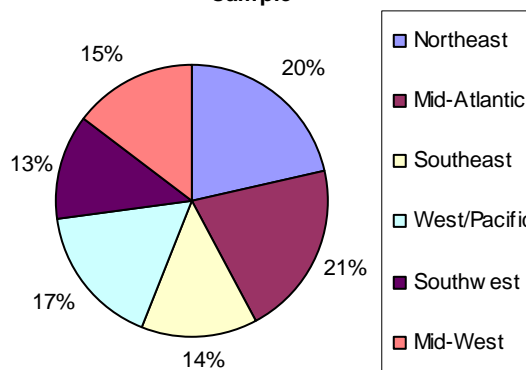
[1] While negative ratings were captured on the survey instrument, a least trusted companies for privacy list and rank ordering was not performed.

Results

Bar Chart 1 shows the top 10 list of most trusted companies in ascending order based on the combined rank scores from R1, R2 and R3 (described above). Please note that more than 10 companies are displayed because of ties in combined rank scores.

Bar Chart 1: 2007 most trusted companies for privacy
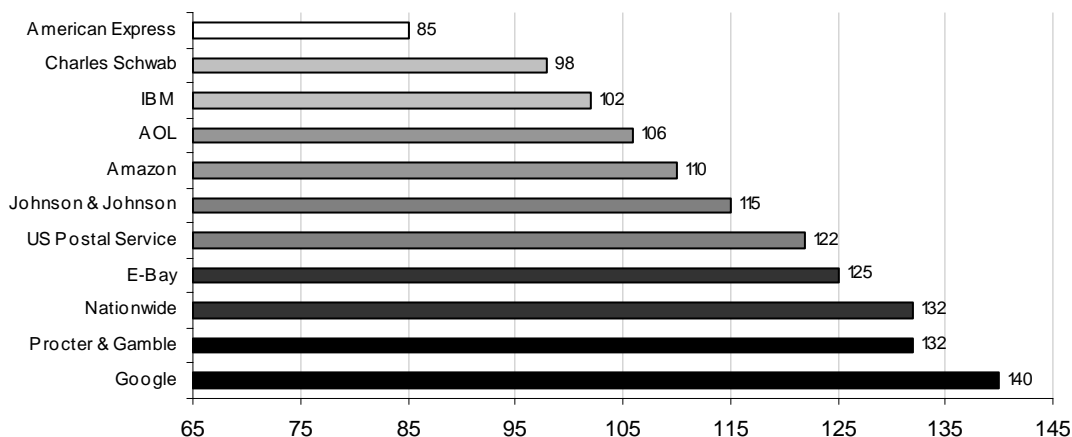
The number next to each bar reflects the combined score for every one of the most trusted companies for privacy. A low combined score computed as the sum of ranks indicates a positive result and a high combined score indicates a negative result.

For the second year in a row, American Express earns the top honors, followed by Charles Schwab in second place and IBM in third place. In fourth position is AOL, followed by Amazon, Johnson & Johnson, US Postal Service, E-Bay, Nationwide, Procter & Gamble and Google.[2]

Please note that Nationwide and Procter & Gamble achieve tied scores for ninth place. The average PTS score for the top 10 companies shown in Bar Chart 1 is 115 combined points from all three rankings. The overall average score for all 205 companies listed as a most trusted company for privacy is 382 combined points. The average privacy trust score for the bottom 10 companies on the most trusted list is 579 combined points. Of the 205 separate companies listed, 46 have a tied combined ranking.

Table 3 lists the top 20 companies that consumers' perceive to be the most trusted for privacy listed in ascending order according to 2007 survey results. For comparison purposes, the prior results from our 2005 and 2006 studies are also shown. The term "NR" means that the most trusted company did not achieve a top 20 ranking in the specified year.

The top 20 companies that have significant increases in privacy trust are Charles Schwab (from 12th to 2nd place), Johnson & Johnson (from 14th to 6th place), IBM (from 8th to 3rd place) and ELoan (from 16th to 11th place). Table 3 also reports four new companies ranked as most trusted for privacy in 2007. These are Nationwide (9th place), WebMD (12th place), Countrywide (14th place), and Intuit (19th place).

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[2] In our 2007 Privacy Trust Study of the United States Government, the USPS ranked in first place among all governmental organizations rated. The USPS has maintained the top position for the past three consecutive years.

Table 3 Most Trusted Companies for Privacy	2007 Ranking	2006 Ranking	2005 Ranking
American Express	1	1	2
Charles Schwab	2	12	NR
IBM	3	8	7
AOL	4	6	NR
Amazon	5	2	4
Johnson & Johnson (all brands)	6	14	14
US Postal Service	7	7	6
E-Bay	8	5	1
Procter & Gamble (all brands)	9	3	3
Nationwide	9	NR	NR
Google	10	10	NR
ELoan	11	16	17
WebMD	12	NR	NR
Dell	13	8	10
Countrywide	14	NR	NR
USAA	15	20	NR
Disney	15	20	11
Hewlett Packard	16	4	5
US Bank	17	NR	14
Bank of America	18	NR	12
Intuit (all brands)	19	NR	NR
Weight Watchers	20	13	19

Table 4 provides a summary of top ranked companies according to 23 industry groups. While not shown in the table, there is significant variation in privacy trust survey ratings across industries. As shown, health care, consumer products and package and delivery services achieve a much higher average rank than airlines, food, toys and telecom, respectively. Notably, the banking industry rose from seventh place in 2006 to fourth place in 2007.

Table 4: Most Trusted for Privacy by Industry Group

2007 Ranking	Industry	2007 Ranking	Group size
1	Health care	13	Insurance
2	Consumer products	14	ISP & cable
3	Package & delivery	15	Credit card
4	Banking	16	Non-profit
5	Brokerage	17	Hospitality
6	Web retail	18	Health & beauty
7	Technology & software	19	Conglomerate
8	Pharmaceuticals	20	Telecom
9	Other financial services	21	Toy
10	Retail	22	Food service
11	Entertainment	23	Airlines
12	Auto & transportation		

Bar Chart 2 illustrates the impact of a data breach on company rankings. This analysis looks at 12 organizations in our "most trusted companies" list that had a breach between the publication date of our 2006 and 2007 studies. All companies in this subgroup were required by law to notify customers or employees that sensitive personal information was either lost or stolen.

Bar Chart 2 shows computed variables, defined as the percentage distance between the subgroup and the sample average ranking for 2006 and 2007. The 12 companies included in this security breach analysis group had aggregate trust scores that were one percent above the average score in our 2006 list. In 2007, after the data breach these same 12 companies were 23% below the aggregate most trusted list average.[3]

Bar Chart 2: Percentage Difference between 12 Data Breach Companies and Sample Average Ranks in 2006 and 2007
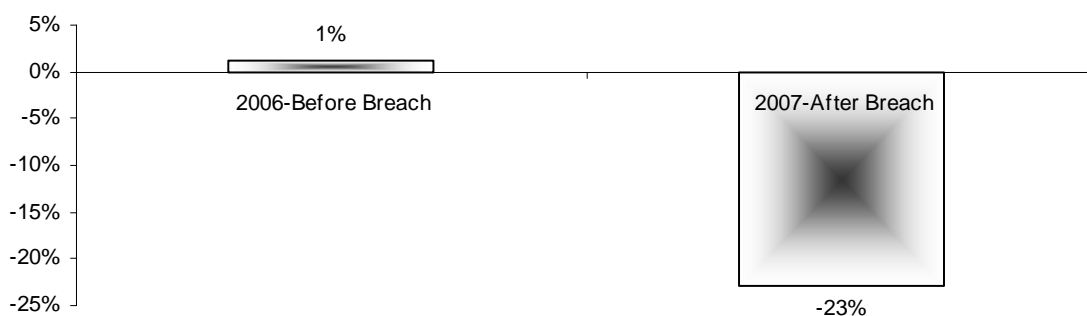
Bar Chart 2 illustrates why a consumer's level of privacy trust is a volatile variable. While our analysis on the impact of data breach is based on only 12 companies, results suggest that companies experiencing a breach incident will likely experience a diminishment of trust among consumers.

Bar Chart 3 reports the factors determined to be most important for increasing privacy trust scores for the 205 companies rated in this research in ascending order.

**Bar Chart 3: Factors Mostly Likely to Increase Privacy Trust Scores**
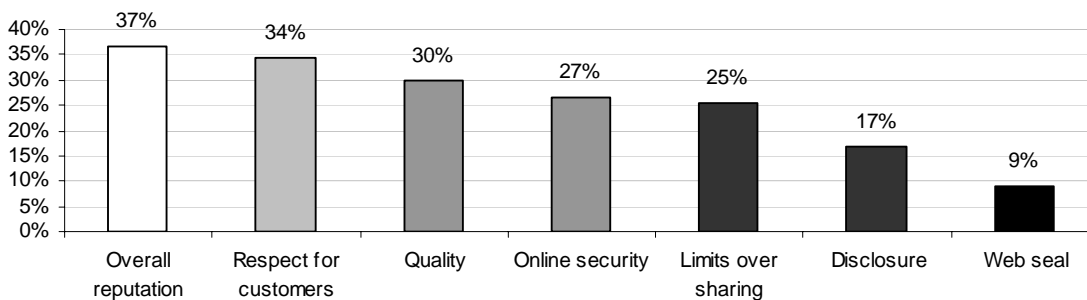
Bar Chart 4 shows the factors determined important for decreasing privacy trust scores. Each percentage in the graph is the number of respondents who cited this factor as increasing (shown

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[3] The identical analysis was done for 14 companies in last year's report. We measured a -27% decline for this group between the 2005 and 2006 published reports. We also performed the same analysis for this group of 14 companies in the current year, finding no discernable difference between the group average and the overall list average (in other words, trust score appear to have recovered).

as positive number) or decreasing (shown as a negative number) their level of trust in the 205 different companies rated.

Bar Chart 4: Factors Mostly Likely to Decrease Privacy Trust Scores
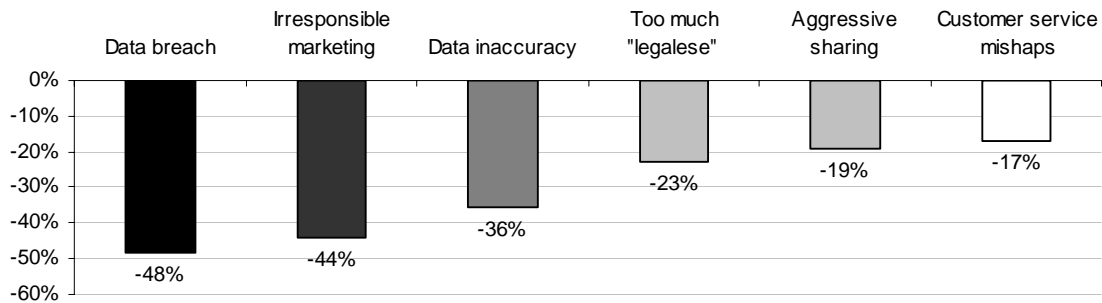
The factors most important for **building** privacy trust are: (1) overall reputation of the organizations, (2) respect for customers, (3) quality of products or services, (4) online security, and (5) limits over data sharing.

The factors most important for **eroding** privacy trust are: (1) data breaches, irrelevant or annoying marketing, (3) data inaccuracy, (4) too much legalese in policy or other disclosures, and (5) aggressive data sharing (including the sale of customer information).

Table 5 reports the results from our current study with a comparison to our findings in 2005 and 2006. Clearly, fear about identity theft is the number one worry for most respondents. The second most salient worry concerns the loss of civil liberties. It is interesting to note that unwanted junk mail has decreased as a worry factor by more than 10% over the past three years.

Table 5 What worries you most about privacy	2005	2006	2007
Identity theft	75.6%	76.6%	74.8%
Stolen assets	32.4%	29.5%	29.9%
Stalking or spying activities	21.3%	21.2%	20.2%
Telemarketing Abuse	36.0%	31.6%	29.8%
Unwanted e-mail activity (spam)	57.7%	51.5%	51.4%
Unwanted junk mail	36.9%	29.8%	26.8%
Loss of civil liberties	47.7%	55.9%	56.0%
Public embarrassment	22.0%	19.6%	19.8%

Margin of error ≤ 2%

Table 6 summarizes how respondents feel about the privacy of their personal information. Results show that the vast majority of individuals view privacy as either important or very important to them. Findings over the past three years appear to show a very consistent pattern.

Table 6 How do respondents feel about the privacy of their personal information?	2005	2006	2007
Very Important	19.0%	20.4%	20.1%
Important	63.0%	64.4%	63.6%
Not Important	9.0%	8.6%	9.0%
No Comment	8.0%	6.6%	7.3%
Total	100.0%	100.0%	100.0%

Margin of error ≤ 2%

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